GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

UNSTARRED QUESTION NO:4562
ANSWERED ON:18.12.2002
LOSS DUE TO SHARING
NAWAL KISHORE RAI;SUSHIL KUMAR INDORA

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether private sector companies were assigned the work of starting cellular service in the country on payment of the prescribed licence fee;

(b) if so, whether the above system has been changed later on and the system of revenue sharing has been adopted in place of payment of licence fee;

(c) if so, the percentage of revenue sharing fixed;

(d) whether the percentage of revenue sharing is proposed to be curtailed and if so, the details in this regard; and

(e) the financial loss incurred, if any from 1.8.1999 by the Government due to changing the earlier system of licence free regime?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRIMATI S MAHAJAN)

(a) to (c): Sir, upto 31.07.1999 the licence fee for the Cellular Mobile Telephone Service (CMTS) was based on the amounts committed by the Licensees as a result of open bidding process for grant of Licences. Thereafter, with effect from, 1.8.1999 the Operators were migrated to revenue sharing regime subject to fulfillment of the conditions of the Migration Package. Subsequently, Licences for CMTS were granted to private companies in the year 2001 on the basis of Entry Fee and License Fee as revenue share. At present, the Licence fee for CMTS for Category `A` `B` & `C` Service Areas is 12%, 10% and 8% of Adjusted Gross Revenue (AGR) respectively, inclusive of Universal Service Obligation levy, apart from separate charges for use of wireless frequency spectrum.

(d) Cellular Operators Association of India (COAI) on behalf of the private cellular operators have requested for reduction of Licence fees for CMTS quoting international practices. It has been represented that the licencefees should be sufficient only to cover the costs of administration and regulation of the sector.

(e) Change-over from fixed licence fee regime to revenue sharing regime has been made as a result of informed and institutionalized decision in best public interest making pragmatic adjustments warranted by ground realities in relation to the Telecom Industry. The two arrangements of charging licence fee are different; the loss, if any, can be said to be notional and not real and it is not possible to compare the two situations.